

March 26, 2016

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**ROBERT S. BENTON**  
& ASSOCIATES, INC.

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*Hospitality Consulting  
and Valuation*

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**VIA E-Mail**

W. Marlin Eldred  
Economic Development  
Morgan County  
48 West Young Street  
Morgan, UT 84050

Dear Mr. Eldred:

In accordance with your request, I am pleased to submit this proposal letter for consulting services in regards to a study of potential market demand and the preparation of a Statement of Estimated Annual Operating Results for a proposed hotel to be located in Morgan, Morgan County, Utah.

Our market study will be concerned with the determination of current and potential future demand for lodging accommodations in the competitive market area, and an assessment of the existing and potential future competitive supply. We will evaluate future potential development trends in the surrounding market area in our analysis of future growth. We will also evaluate whether lodging demand is currently leaving the market due to supply constraints, quality issues or market issues. Based on our analysis of market trends, we will determine whether the market can support additional hotel rooms. If demand appears sufficient, we will make recommendations regarding how the hotel should be positioned in the market in terms of branding and quality level. We will also make recommendations regarding the number of guestrooms the hotel should offer, the mix of guestrooms, as well as the amenities and services that the proposed hotel should offer. We will prepare estimates of the amount of demand that the proposed hotel could reasonably accommodate, as well as the average daily rate that the property could potentially achieve. We will also prepare an income and expense statement for the proposed hotel. Our research, findings and recommendations will be summarized in a report that can be used to market the project to developers. Our approach to this market study will be in several phases, as detailed below.

***PHASE I - FIELDWORK***

***Site Analysis***

We will evaluate the following factors regarding potential sites from a marketability standpoint:

- ☐ Access and Visibility
- ☐ Ambience (Environment)
- ☐ Nature of surrounding land uses

- ☐ Present utilization
- ☐ Topography
- ☐ Relationship to demand generators and area growth
- ☐ Relationship to area amenities
- ☐ Advantages/disadvantages of the site versus other hotels in the market, as well as other potential development sites

### ***Area Review***

We will collect economic and demographic data regarding the market area. We will examine correlations between key economic factors and the demand for hotel rooms, and will utilize any available forecasts for these indicators in our evaluation of potential future demand. Among the data we will gather and analyze will be:

- ☐ Employment trends, including major employers expected to enter or leave the area
- ☐ Real estate development trends, including past and projected growth
- ☐ Tourism trends in Morgan County and the State of Utah

In addition, we will perform primary research in the market area, including an inspection and evaluation of other hotels in the market. We will also interview persons familiar with local development patterns and the local lodging market. Among those with whom we will conduct such interviews are:

- ☐ Owners and managers of potentially competitive hotels
- ☐ Developers of hotels proposed in the area
- ☐ Chamber of Commerce representatives
- ☐ Convention & Visitor Bureau representatives
- ☐ City and County officials involved in planning, zoning, economic development and transportation
- ☐ Government agencies
- ☐ Airport executives and planning officials
- ☐ Bankers, editors and development organization representatives
- ☐ Managers of tourist attractions
- ☐ Others familiar with the overall development of the market area

## ***PHASE II - ANALYSIS OF MARKET DATA***

### ***Preparation of Supply and Demand Estimates***

On the basis of the foregoing research, we will prepare estimates of future growth in the demand for, and supply of, hotel accommodations in the market area. We will analyze historical growth in demand and the characteristics of each of the principal segments of demand for hotel rooms in the market area. Then, using the information gathered in our research, we will evaluate the potential for future growth in demand over the next five to ten years expressed in terms of hotel roomnights demanded. Consideration will also be given to any demand that is currently not being accommodated in the market due to capacity constraints or dissatisfaction with the current supply.

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The next step is an assessment of the competitive supply in the market area, historical growth, and future additions to supply. This step will allow us to prepare an estimate of the future supply and demand of hotel rooms, the expected market area occupancies for hotel rooms, and the ratio of total area supply that the hotel is likely to offer. Consideration will be given to seasonality of demand and capacity constraints at existing hotels, and how new supply may impact the market's ability to accommodate additional demand.

#### ***Market Share and Average Room Rate Estimates***

Upon completion of an analysis of the future market area supply and demand, we will estimate the share of the market that the proposed hotel should reasonably be expected to capture, by market segment, in a stabilized year and during each of its first five years of operation.

An estimated average room rate for the proposed hotel will be expressed in current value dollars for a stabilized year, and in inflated dollars for the first five years of operation.

#### ***PHASE III - FACILITIES RECOMMENDATIONS***

Using our market research as a base, we will make recommendations regarding the amenities and services that should be incorporated into the hotel to ensure that it meets market needs. This phase is completed simultaneously with Phase II. We will make recommendations regarding any facilities and/or amenities that should be incorporated into the project. Factors we will consider include the following:

- ☐ Market Position in terms of quality level and branding alternatives
- ☐ Number and mix of guestrooms
- ☐ Food, beverage and meeting facilities
- ☐ Related services and amenities to be incorporated into the hotel

These recommendations are intended to serve as the basis of potential future occupancy and average daily rate estimates.

#### ***REPORT ON PRELIMINARY FINDINGS***

Upon completion of Phases I through III, we will be in a position to discuss our preliminary findings and recommendations with you. If, during the course of our research and analysis, we have concerns regarding the feasibility of the project, we will discuss our concerns with you. If you ask us to stop working on the project, we would bill you only for actual time and expenses incurred on the assignment.

Upon receiving your authorization to continue with the assignment, we would finalize our estimates of occupancy and average daily rate, as well as our facility recommendations. We will begin working on a Statement of Estimated Annual Operating Results and the written report.

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***PHASE IV-STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS***

We will prepare a Statement of Estimated Annual Operating Results for the subject property upon completion of our market study. The Statement of Estimated Annual Operating Results for the first five years of operation would be expressed in inflated dollars. This estimate will include all revenues and expenses and result in a "bottom line" of Income Before Rent, if any, Depreciation, Interest and Taxes on Income.

Our concluded occupancy and average daily rate would provide the basis for the estimates of room revenues for the proposed hotel. Other hotel revenues would be based on industry averages and our experience with other comparable hotels. Operating expenses will be estimated on the basis of industry data and our experience with similar type properties.

Since the projected operating results will be based on estimates and assumptions which are subject to uncertainty and variation, we will not represent them as results that will actually be achieved.

***COMMUNICATION OF THE RESULTS OF THE STUDY***

The information resulting from the market study will be documented and presented in a narrative report that will detail our research, findings and recommendations. The report will provide support for our occupancy and average daily rate projections, and market conclusions. We plan to submit a draft of our report to you for your review. We will be available to meet with you by telephone to discuss our findings, opinions and recommendations.

***LIMITATIONS OF THE STUDY***

Our report will be subject to the following customary limitations:

1. Our report will be dated at the completion of our primary market research. We have no obligation to update our findings regarding changes in market conditions or project concept that occur subsequent to the completion of our fieldwork. However, we will be available to consult with you regarding the impact of any subsequent changes on your proposed project.
  2. Our report, and the material submitted, may not be used in any prospectus or printed material used in connection with the sale of securities or participation interests to the general public, or in any newspaper publicity or other public forum.
  3. The scope of our study and reports will not include the possible impact of zoning or environmental regulations, licensing requirements, or other such matters unless they have been brought to our attention and are disclosed in the report.
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4. Any drafts or preliminary information communicated to you during the course of the assignment are for your internal use only, and may not be disclosed to any financial outside third parties without our prior written consent.
5. Projections of operating results for hotels are, by their nature, subject to uncertainty and variation. Projections are made based on all of the pertinent data made available to the consultants at the time the research is completed. Due to the many potential changes that can occur in the marketplace, and changes to the assumptions stated in the report, the actual operating results may vary from the projections, and variations may be substantial. The consultants will not be responsible for changes in market conditions or the underlying assumptions which occur subsequent to the final date of fieldwork. The reader is cautioned that updates to projections may be necessary if market conditions change. As in all studies of this type, any estimated annual operating results are based upon competent and efficient management.

#### ***FEES AND STUDY TIMETABLE***

Our professional fee for the foregoing market study will be \$9,500. In addition to our fees, we are to be reimbursed for out of pocket expenses incurred in the performance of the assignment while in the field. We will also need to order a Trend Report on the competitive market from Smith Travel Research. Our cost of this report (\$475) will be invoice to you. All expenses are billed to you at our cost. The estimated fee includes the delivery of three (3) copies of our report. I am willing to limit out-of-pocket costs to \$1,250. As a result, the cost of the assignment, including fees and expenses, will not exceed \$10,750.

As is customary in assignments of this nature, we request a retainer of \$5,700 (60 percent of fee) at the beginning of the assignment. Upon discussion of our preliminary findings with you, we will invoice you for an additional 25 percent of the fee plus our out-of-pocket expenses. This invoice would be payable prior to delivery of the draft report. Upon delivery of the draft report, the balance of our fees would be billed to you and would be payable within thirty days of invoice date or upon delivery of the final reports, whichever is sooner. Remaining fees and expenses, if any, will be payable within thirty (30) days of your receipt of our final report and/or invoice date.

With lodging market conditions and hotel development strong, I have become extremely busy. As a result, it has become extremely to estimate starting date's as some projects take longer than anticipated to complete, while others may end early. Please note that I do not use contractors to complete assignments. I complete all assignments myself. My best estimate is that we could begin the assignment in approximately six to eight weeks. However, I emphasize that starting times can vary and this is only an estimate. No starting dates can be guaranteed. All assignments are completed in the order that they are authorized by the client. Once we begin the assignment, we should be in a position to discuss our conclusions and recommendations with you within three to four weeks of

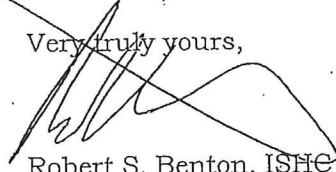
W. Marlin Eldred  
Morgan County Economic Development  
March 26, 2016  
Page 6

beginning the assignment. A draft copy of the written report will be available approximately three weeks after discussion of our conclusions and recommendations.

**ACCEPTANCE**

If the foregoing correctly states the nature of the work you wish undertaken at this time and the arrangements are satisfactory, please sign a copy of this proposal letter and return it to us, together with the requested retainer as our authorization to proceed with the assignment. If, on the other hand, you have any questions, please do not hesitate to call on me. This proposal letter is valid until April 15, 2016. I certainly appreciate the opportunity to submit this proposal letter, and look forward to working with you on this interesting project.

Very truly yours,



Robert S. Benton, ISHC  
President

APPROVAL:

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_